

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Government Name Colfax-Greenwood Fire Department	County Wexford
Audit Date 3/31/05	Opinion Date 6/16/05	Date Accountant Report Submitted to State: July 12, 2005	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.


We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ Yes ☒ No 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ Yes ☒ No 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☐ Yes ☒ No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ Yes ☒ No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ Yes ☒ No 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ Yes ☒ No 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ Yes ☒ No 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ Yes ☒ No 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ Yes ☒ No 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	✓		
Reports on individual federal financial assistance programs (program audits).			✓
Single Audit Reports (ASLGR).			✓

Certified Public Accountant (Firm Name) Baird, Cotter & Bishop, P.C.			
Street Address 134 W. Harris Street	City Cadillac	State MI	ZIP 49601
Accountant Signature 		Date 7/12/05	

COLFAX-GREENWOOD FIRE DEPARTMENT

WEXFORD COUNTY, MANTON, MICHIGAN

MARCH 31, 2005

COLFAX-GREENWOOD FIRE DEPARTMENT
WEXFORD COUNTY, MANTON, MICHIGAN

MARCH 31, 2005

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CERTIFIED PUBLIC ACCOUNTANTS

June 16, 2005

INDEPENDENT AUDITORS' REPORT

To the Fire Board
Colfax-Greenwood Fire Department
Wexford County
Manton, Michigan

We have audited the accompanying basic financial statements of the governmental activities and each major fund of the Colfax-Greenwood Fire Department, Wexford County, Manton, Michigan as of and for the year ended March 31, 2005, which collectively comprise the Fire Department's basic financial statements, as listed in the table of contents. These basic financial statements are the responsibility of the Fire Department's Management. Our responsibility is to express an opinion on these basic financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Colfax-Greenwood Fire Department, Wexford County, Manton, Michigan, as of March 31, 2005, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note I, the Fire Department has implemented a new financial reporting model as required by the Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments* as of April 1, 2004.

The management's discussion and analysis on pages iii through viii and budgetary comparison information on page 15 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the basic financial statements that collectively comprise Colfax-Greenwood Fire Department, Wexford County, Manton, Michigan's basic financial statements. The individual fund financial statements, and other supplementary information are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements, and in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

BAIRD, COTTER AND BISHOP, P.C.

Baird, Cotter & Bishop, P.C.

COLFAX-GREENWOOD FIRE DEPARTMENT

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED MARCH 31, 2005

Colfax-Greenwood Fire Department is a joint venture fire department supported by Colfax Township and Greenwood Township that has implemented the provisions of Governmental Accounting Standards Board Statement 34 (GASB 34). The Management's Discussion and Analysis, a requirement of GASB 34, is intended to be the Colfax-Greenwood Fire Department board's discussion and analysis of the financial results for the fiscal year ended March 31, 2005.

Financial Highlights

- ◆ The assets of the Fire Department exceeded its liabilities at the close of the fiscal year by \$164,611. Of this amount, \$35,976 may be used to meet the Fire Department's ongoing obligations to citizens and creditors.
- ◆ At the end of the current fiscal year, unreserved fund balance for the General Fund was \$33,403 or 90.26% of total general fund expenditures.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Fire Department's basic financial statements. The Fire Department's basic financial statements are comprised of three components. 1) government-wide financial statements, 2) fund financial statements and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-Wide Financial Statements The government-wide financial statements, required by GASB 34, are new and being shown for the first time in 2005 for Colfax-Greenwood Fire Department. The *government-wide financial statements* are designed to provide readers with a broad overview of the Fire Department's finances, in a manner similar to a private-sector business. These statements are calculated using full accrual accounting and more closely represent those presented by business and industry. The entire Fire Department's assets and liabilities, both short and long-term, are reported. As such, these statements include capital assets, net of related depreciation.

The *Statement of Net Assets* presents information on all of the Fire Department's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Fire Department is improving or deteriorating.

The *Statement of Activities* presents information showing how the Fire Department's net assets changed during the fiscal year. All changes in net assets are reported when the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in the future fiscal periods (e.g., uncollected taxes and earned but unused compensated absences).

Both of the government-wide financial statements distinguish functions of the Fire Department's that are principally supported by intergovernmental revenues (governmental activities) from functions that are

COLFAX-GREENWOOD FIRE DEPARTMENT

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED MARCH 31, 2005

intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the Fire Department include public safety. The fire department supports no business-type activities.

Fund Financial Statements

For the most part, the fund financial statements are comparable to prior years' financial statements. The primary difference is that the Account Groups (General Fixed Assets and General Long-Term Debt) are no longer reported. The fund level statements are reported on a modified accrual basis in that only those assets that are "measurable" and "currently available" are reported. Liabilities are recognized to the extent they are normally expected to be paid with current financial resources. All of the funds of the Fire Department are governmental funds.

Governmental Funds – Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements focus on current sources and uses of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statement, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental funds balance sheet and the governmental fund statements of revenues, expenditures, and changes in fund balances provides a reconciliation to facilitate this comparison between governmental funds and governmental activities.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Other Information

In addition to the basic financial statements, this report further presents Required Supplementary Information (RSI) that explains and supports the information presented in the financial statements.

Government-Wide Financial Analysis

The Statement of Net Assets is the first statement in the Government-Wide Financial Statements section of this document. This statement is useful for providing an indicator of the Fire Department's financial position over time. The Net Assets of the Fire Department are \$164,611 at March 31, 2005, meaning the Fire Department's assets were greater than its liabilities by this amount.

COLFAX-GREENWOOD FIRE DEPARTMENT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR FISCAL YEAR ENDED MARCH 31, 2005

Colfax-Greenwood Fire Department
Net Assets as of March 31, 2005

	Governmental Activities
Assets	
Current Assets	\$ 36,567
Non Current Assets	
Capital Assets	245,293
Less: Accumulated Depreciation	(116,658)
Total Non Current Assets	128,635
Total Assets	\$ 165,202
Liabilities	
Current Liabilities	\$ 591
Net Assets	
Invested in Capital Assets	128,635
Unrestricted	35,976
Total Net Assets	164,611
Total Liabilities and Net Assets	\$ 165,202

The most significant portions of the Fire Department's Net Assets are cash and investment in capital assets (e.g. land, buildings and equipment), less any related debt that is outstanding that the Fire Department used to acquire or construct the asset.

At the end of the current fiscal year, the Fire Department is able to report positive balance in net assets for the government as a whole.

The total net assets of the Fire Department decreased by \$16,001 or 8.86% in this fiscal year.

The following table illustrates and summarizes the results of the changes in the net assets for the Fire Department. The condensed information was derived from the government-wide Statement of Activities.

COLFAX-GREENWOOD FIRE DEPARTMENT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR FISCAL YEAR ENDED MARCH 31, 2005

Colfax-Greenwood Fire Department
Change in Net Assets
for the Fiscal Year Ended March 31, 2005

	<u>Governmental Activities</u>
<u>Revenues</u>	
Capital Grants and Contributions	\$ 1,950
General Revenues	
Contributions from Local Units	33,277
Unrestricted Investment Earnings	41
Other	150
Total Revenues	35,418
<u>Expenses</u>	
Public Safety	51,419
Changes in Net Assets	(16,001)
NET ASSETS – Beginning of Year	180,612
NET ASSETS – End of Year	\$ 164,611

Governmental Activities

During the fiscal year ended March 31, 2005, the Fire Department's net assets decreased by \$16,001 or 8.86% in the governmental funds. The majority of this decrease represents the degree to which increases in ongoing revenues have not outstripped similar increases in ongoing expenses. This is partially true due to the fact that GASB 34 now requires the Fire Department to maintain a record of annual depreciation expense and the accumulation of depreciation expense over time. The net increase in accumulated depreciation expense is a reduction in net assets.

The most significant part of the revenue for all governmental activities of Colfax-Greenwood Fire Department comes from Colfax Township and Greenwood Township. Both townships levied fire protection millages this fiscal year. Colfax Township and Greenwood Township each levied 1.000 mills for fire protection. This revenue is shown as contributions from local units.

The Fire Department's governmental activities expenses are dominated by public safety expenses that total 100% of total expenses. The Fire Department spent \$51,419 in fiscal year 2005 on public safety expenses. Expenses for insurance represent a large portion of the public safety expenses at \$13,189. Depreciation expense added another \$14,411.

COLFAX-GREENWOOD FIRE DEPARTMENT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR FISCAL YEAR ENDED MARCH 31, 2005

Financial Analysis of the Government's Funds

Governmental Activities The focus of Colfax-Greenwood Fire Department's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Fire Department's financing requirement. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

General Fund – At the end of the current fiscal year, Colfax-Greenwood Fire Department's general fund reported an ending fund balance of \$35,976. Approximately 92.85% of this total amount (\$33,403) constitutes unreserved fund balance. The remainder of the fund balance is reserved for prepaid expenses.

The fund balance of the Fire Department's general fund decreased by \$1,590 during the current fiscal year.

Capital Assets and Debt Administration

Capital Assets. The Fire Department's investment in capital assets for governmental activities as of March 31, 2005 amounted to \$128,635 net of accumulated depreciation.

Capital assets summarized below include any items purchased with a cost greater than \$5,000 individually, plus all land. A summary of capital asset categories is illustrated below:

Colfax-Greenwood Fire Department
Capital Assets as of March 31, 2005

		<u>Governmental Activities</u>
Land and Land Improvements	\$	150
Buildings		14,000
Machinery and Equipment		<u>231,143</u>
		245,293
Less Accumulated Depreciation		<u>(116,658)</u>
Net Capital Assets	\$	<u>128,635</u>

Long-Term Debt. As of March 31, 2005, the Fire Department had no outstanding debt

Economic Condition and Outlook

The Fire Department is expected to be supported by the Township's in the future.

COLFAX-GREENWOOD FIRE DEPARTMENT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR FISCAL YEAR ENDED MARCH 31, 2005

A fire millage was once again levied for the 2004 tax roll. The mills to be levied for the 2005 tax roll for fire protection are expected to be similar to 2004.

These factors were considered in preparing the Fire Department's budgets for the 2005-06 fiscal year.

Request for Information

The financial report is designed to provide our citizens, customers, investors and creditors with a general overview of the Fire Department's finances and to demonstrate the Fire Department's accountability for the money it receives. If you have any questions about this report or need any additional information, contact Colfax-Greenwood Fire Department at 4950 N. 31 Road, Manton, MI 49663.

COLFAX-GREENWOOD FIRE DEPARTMENT
WEXFORD COUNTY, MANTON, MICHIGAN

STATEMENT OF NET ASSETS
MARCH 31, 2005

	<u>GOVERNMENTAL ACTIVITIES</u>
<u>ASSETS</u>	
Cash	\$ 29,328
Due from Other Governments	4,666
Prepaid Expenses	<u>2,573</u>
Total Current Assets	<u>36,567</u>
<u>CAPITAL ASSETS</u>	
Land and Land Improvements	150
Buildings	14,000
Machinery and Equipment	<u>231,143</u>
	245,293
Less Accumulated Depreciation	<u>(116,658)</u>
Net Capital Assets	<u>128,635</u>
TOTAL ASSETS	<u><u>\$ 165,202</u></u>
<u>LIABILITIES AND NET ASSETS</u>	
<u>CURRENT LIABILITIES</u>	
Accounts Payable	\$ 511
Payroll Withholdings	<u>80</u>
Total Current Liabilities	<u>591</u>
<u>NET ASSETS</u>	
Invested in Capital Assets	128,635
Unrestricted	<u>35,976</u>
TOTAL NET ASSETS	<u><u>\$ 164,611</u></u>

The accompanying notes are an integral part of the financial statements.

COLFAX-GREENWOOD FIRE DEPARTMENT
WEXFORD COUNTY, MANTON, MICHIGAN

STATEMENT OF ACTIVITIES
YEAR ENDED MARCH 31, 2005

FUNCTIONS/PROGRAMS	EXPENSES	PROGRAM REVENUES			NET (EXPENSE) REVENUES AND CHANGES IN NET ASSETS
		CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS	
					TOTALS
<u>PRIMARY GOVERNMENT</u>					
<u>GOVERNMENTAL ACTIVITIES</u>					
Public Safety	\$ 51,419	\$ 0	\$ 0	\$ 1,950	\$ (49,469)
<u>GENERAL REVENUES</u>					
Contributions from Local Units					33,277
Unrestricted Investment Earnings					41
Other					150
Total General Revenues					33,468
Change in Net Assets					(16,001)
<u>NET ASSETS</u> - Beginning of Year					180,612
<u>NET ASSETS</u> - End of Year					\$ 164,611

The accompanying notes are an integral part of the financial statements.

COLFAX-GREENWOOD FIRE DEPARTMENT
WEXFORD COUNTY, MANTON, MICHIGAN

GOVERNMENTAL FUND

BALANCE SHEET
MARCH 31, 2005

	<u>GENERAL FUND</u>
 <u>ASSETS</u>	
Cash	\$ 29,328
Due from Other Governments	4,666
Prepaid Expenditures	2,573
TOTAL ASSETS	<u>\$ 36,567</u>
 <u>LIABILITIES AND FUND BALANCE</u>	
<u>LIABILITIES</u>	
Accounts Payable	\$ 511
Payroll Withholdings	80
	<u>591</u>
 <u>FUND BALANCE</u>	
Reserved for:	
Prepaid Expenditures	2,573
Unreserved	
Undesignated	33,403
Total Fund Balance	<u>35,976</u>
 TOTAL LIABILITIES AND FUND BALANCE	 <u>\$ 36,567</u>

The accompanying notes are an integral part of the financial statements.

COLFAX-GREENWOOD FIRE DEPARTMENT
WEXFORD COUNTY, MANTON, MICHIGAN

GOVERNMENTAL FUND

RECONCILIATION OF THE BALANCE SHEET TO THE STATEMENT OF NET ASSETS
MARCH 31, 2005

Total Fund Balance for Governmental Fund	\$	35,976
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Amounts Reported for Governmental Activities in the
Statement of Net Assets are Different Because:

Capital assets used in governmental activities are not
financial resources and therefore are not reported in the funds.

Land	150	
Buildings	14,000	
Equipment, Furniture and Fixtures	231,143	
Accumulated Depreciation	<u>(116,658)</u>	<u>128,635</u>

NET ASSETS OF GOVERNMENTAL ACTIVITIES	\$	<u><u>164,611</u></u>
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The accompanying notes are an integral part of the financial statements.

COLFAX-GREENWOOD FIRE DEPARTMENT
WEXFORD COUNTY, MANTON, MICHIGAN

GOVERNMENTAL FUND

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE

YEAR ENDED MARCH 31, 2005

	<u>GENERAL FUND</u>
<u>REVENUES</u>	
State Grants	
Contributions from Local Units	\$ 1,950
Taxes	33,277
Interest and Rents	41
Other Revenues	<u>150</u>
Total Revenues	<u>35,418</u>
<u>EXPENDITURES</u>	
Public Safety	<u>37,008</u>
Excess (Deficiency) of Revenues Over Expenditures	(1,590)
<u>FUND BALANCE -</u> Beginning of Year	<u>37,566</u>
<u>FUND BALANCE -</u> End of Year	<u><u>\$ 35,976</u></u>

The accompanying notes are an integral part of the financial statements.

COLFAX-GREENWOOD FIRE DEPARTMENT
WEXFORD COUNTY, MANTON, MICHIGAN

GOVERNMENTAL FUND

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
MARCH 31, 2005

Net change in Fund Balance - Total Governmental Fund	\$ (1,590)
Amounts reported for governmental activities are different because:	
Governmental funds report capital outlays as expenditures in the statement of activities. These costs are allocated over their estimated useful lives as depreciation.	
Depreciation Expense	<u>(14,411)</u>
CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES	<u><u>\$ (16,001)</u></u>

The accompanying notes are an integral part of the financial statements.

COLFAX-GREENWOOD FIRE DEPARTMENT
WEXFORD COUNTY, MANTON, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2005

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

Colfax-Greenwood Fire Department is a joint venture fire department supported by Colfax Township and Greenwood Township. Under the criteria established by accounting principles generally accepted in the United States of America, the Fire Department has determined that there are no component units which should be included in its reporting entity.

B. Government-wide and Fund Financial Statements

During fiscal year 2005, the Fire Department adopted GASB Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, as amended by GASB Statements No. 37 and No. 38, and applied those standards on a retroactive basis. GASB Statement No. 34 establishes standards for external financial reporting for state and local governments and requires that resources be classified for accounting and reporting purposes into the following three net asset categories.

Invested in Capital assets, net of related debt consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt that are attributed to the acquisition, construction, or improvement of those assets.

Restricted net assets result when constraints placed on net asset use are either externally imposed by creditors, grantors, and contributions, or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net assets consist of net assets which do not meet the definition of the two preceding categories. Unrestricted net assets are often designated, to indicate that management does not consider them to be available for general operations. Unrestricted net assets often have constraints on resources which are imposed by management, but can be modified or removed.

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the non-fiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who

COLFAX-GREENWOOD FIRE DEPARTMENT
WEXFORD COUNTY, MANTON, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2005

purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

The government-wide focus is more on the sustainability of the Fire Department as an entity and the change in aggregate financial position resulting from the activities of the fiscal period. The fund financial statements are similar to the financial statements presented in the previous financial reporting model.

Separate financial statements are provided for governmental funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

C. Measurement Focus, Basis of Accounting and Basis of Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, licenses and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Sales taxes collected and held by the state at year end on behalf of the government are also recognized as revenue. All other revenue items are considered to be measurable and available only when cash is received by the government.

Entitlements and shared revenues are recorded at the time of receipt or earlier if the susceptible to accrual criteria are met. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met.

The accounts of the Fire Department are organized on the basis of funds and account groups. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating

COLFAX-GREENWOOD FIRE DEPARTMENT
WEXFORD COUNTY, MANTON, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2005

compliance with finance-related legal and contractual provisions. The minimum number of funds are maintained consistent with legal and managerial requirements.

Colfax-Greenwood Fire Department reports the following major governmental funds:

The *General Fund* is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes and other charges between various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the functions involved. Amounts reported as program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

When both restricted and unrestricted resources are available for use, it is the Fire Department's policy to use the restricted resources first, then unrestricted resources as they are needed.

D. Assets, Liabilities and Equity

1. Deposits and Investments

The Fire Department's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from date of acquisition.

- I. The Fire Department Board has authorized the Fire Department Treasurer to invest funds as follows:
 - a. In bonds, securities, and other obligations of the United States or an agency or instrumentality of the United States.
 - b. In certificates of deposit, savings accounts, deposit accounts, or depository receipts of a financial institution, but only if the financial institution complies with subsection (II).
 - c. In commercial paper rated at the time of purchase within the two highest classifications established by not less than two standard rating services and that matures not more than 270 days after the date of purchase.
 - d. In repurchase agreements consisting of instruments listed in subdivision (a).

COLFAX-GREENWOOD FIRE DEPARTMENT
WEXFORD COUNTY, MANTON, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2005

- e. In bankers' acceptances of United States banks.
- f. In obligations of this state or any of its political subdivisions that at the time of purchase are rated as investment grade by not less than 1 standard rating service.
- g. In mutual funds registered under the Investment Company Act of 1940, title I, of chapter 686, 54 Stat. 789, 15 U.S.C. 80a-1 to 80a-3 and 80a-4 to 80a-64, with authority to purchase only investment vehicles that are legal for direct investment by a public corporation. This authorization is limited to securities whose intention is to maintain a net asset value of \$1.00 per share.

2. *Receivables and Payables*

Transactions between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between governmental activities are reported in the government-wide financial statements as "internal balances."

Advances between funds are offset by a fund balance reserve account in applicable governmental funds to indicate they are not available for appropriation and are not expendable available financial resources.

All receivables are shown net of an allowance for uncollectibles. Fire Department revenues are recognized when they become both measurable and available for use to finance Fire Department operations. Amounts which are not expected to be collected within sixty days are treated as deferred revenues.

For the 2004 – 2005 fiscal year, the Colfax-Greenwood Fire Department received as aid \$20,047 from Colfax Township and \$13,230 from Greenwood Township.

3. *Inventories and Prepaid Items*

Inventories are not significant and are expensed as acquired.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

COLFAX-GREENWOOD FIRE DEPARTMENT
WEXFORD COUNTY, MANTON, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2005

4. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 (amount not rounded) and an estimated useful life in excess of one year plus all land. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed.

Property, plant and equipment of the government are depreciated using the straight line method over the following estimated useful lives:

<u>ASSETS</u>	<u>YEARS</u>
Buildings	50
Land improvements	20
Vehicles	10
Equipment	5-10

5. Long-term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities. Bond premiums and discounts, as well as issuance costs, are amortized over the life of the bonds using the effective interest method. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures

COLFAX-GREENWOOD FIRE DEPARTMENT
WEXFORD COUNTY, MANTON, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2005

6. *Fund Equity*

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

7. *Use of Estimates*

The presentation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. A public hearing is held to obtain taxpayer comments. Appropriations lapse at year end. Budgeted amounts presented are as originally adopted on March 8, 2004, or as amended by the Fire Department Board from time to time throughout the year.

The appropriated budget is prepared by fund and activity. The Fire Department Board exercises budgetary control over expenditures.

Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is not employed by the Fire Department because it is not, at present, considered necessary to assure effective budgetary control or to facilitate effective cash planning and control.

III. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS

A. *Deposits and Investments*

The Fire Department's deposits at year-end were entirely covered by federal depository insurance. All deposits are in the Citizens Bank, Manton, Michigan. At year-end, the carrying amount of the Fire Department's deposits was \$29,328, and the bank balance was \$29,328.

The carrying amount of the Fire Department's deposits at year-end are shown below:

COLFAX-GREENWOOD FIRE DEPARTMENT
WEXFORD COUNTY, MANTON, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2005

	<u>GENERAL FUND</u>
Citizens Bank	
Manton, Michigan	
Commercial Accounts	\$ 26,822
Money Market Accounts	<u>2,506</u>
	<u>\$ 29,328</u>

A reconciliation of cash and investments follows:

	<u>PRIMARY GOVERNMENT</u>
Carrying amount of deposits	\$ <u>29,328</u>
Government-wide statement of net assets	
Cash	<u>\$ 29,328</u>

B. Receivables

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. At the end of the current fiscal year, there were no components of deferred revenue and unearned revenue reported in the governmental funds.

C. Capital Assets

Primary Government

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<u>Governmental activities:</u>				
Capital assets, not being depreciated				
Land	\$ 150	\$ 0	\$ 0	\$ 150
Capital assets, being depreciated				
Buildings	14,000	0	0	14,000
Machinery and equipment	<u>231,143</u>	<u>0</u>	<u>0</u>	<u>231,143</u>
Total capital assets, being depreciated	<u>245,143</u>	<u>0</u>	<u>0</u>	<u>245,143</u>

COLFAX-GREENWOOD FIRE DEPARTMENT
WEXFORD COUNTY, MANTON, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2005

	Beginning Balance	Increases	Decreases	Ending Balance
Less accumulated depreciation for:				
Buildings	6,860	280	0	7,140
Machinery and equipment	95,387	14,131	0	109,518
Total accumulated depreciation	102,247	14,411	0	116,658
Total capital assets, being depreciated, net	142,896	(14,411)	0	128,485
Governmental activities capital assets, net	\$ 143,046	\$ (14,411)	0	\$ 128,635

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental activities:	
Public Safety	\$ <u>14,411</u>

Construction Commitments:

The government has no outstanding construction commitments as of March 31, 2005.

D. Long-Term Debt

There is no long-term debt outstanding for the Colfax-Greenwood Fire Department for the year ended March 31, 2005.

IV. OTHER INFORMATION

A. Risk Management

The government is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; natural disasters, and worker's compensation claims. The government carries commercial insurance to guard against loss from these risks.

COLFAX-GREENWOOD FIRE DEPARTMENT
WEXFORD COUNTY, MANTON, MICHIGAN
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
MAJOR GOVERNMENTAL FUNDS

YEAR ENDED MARCH 31, 2005

	GENERAL FUND			VARIANCE
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	WITH FINAL BUDGET
<u>REVENUES</u>				
State Grants	\$ 0	\$ 0	\$ 1,950	\$ 1,950
Contributions from Local Units	29,500	29,500	33,277	3,777
Interest and Rents	80	80	41	(39)
Other Revenues	0	0	2,100	2,100
Total Revenues	29,580	29,580	35,418	5,838
<u>EXPENDITURES</u>				
Public Safety	67,900	67,900	37,008	30,892
Excess (Deficiency) of Revenues Over Expenditures	(38,320)	(38,320)	(1,590)	(25,054)
<u>FUND BALANCE</u> - Beginning of Year	37,566	37,566	37,566	0
<u>FUND BALANCE</u> - End of Year - (Deficit)	\$ (754)	\$ (754)	\$ 35,976	\$ (25,054)

COLFAX-GREENWOOD FIRE DEPARTMENT
WEXFORD COUNTY, MANTON, MICHIGAN

GENERAL FUND

BALANCE SHEET
MARCH 31, 2005

ASSETS

Cash	
Commercial Account	\$ 26,822
Money Market Account	2,506
Due from Other Governments	4,666
Prepaid Expenditures	<u>2,573</u>
 TOTAL ASSETS	 \$ <u><u>36,567</u></u>

LIABILITIES AND FUND BALANCE

LIABILITIES

Accounts Payable	\$ 511
Payroll Withholdings	<u>80</u>
 Total Liabilities	 <u>591</u>

FUND BALANCE

Reserved for Prepaid Expenditures	2,573
Unreserved	<u>33,403</u>
 Total Fund Balance	 <u>35,976</u>
 Total Liabilities and Fund Balance	 \$ <u><u>36,567</u></u>

COLFAX-GREENWOOD FIRE DEPARTMENT
WEXFORD COUNTY, MANTON, MICHIGAN

GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL

FOR THE YEAR ENDED MARCH 31, 2005

	<u>BUDGET</u>	<u>ACTUAL</u>
<u>REVENUES</u>		
State Grants		
Department of Natural Resources Grant	\$ 0	\$ 1,950
Contributions from Local Units		
Colfax Township	17,000	20,047
Greenwood Township	12,500	13,230
Interest and Rents		
Interest Earnings	80	41
Other Revenues		
Miscellaneous	0	150
	<hr/>	<hr/>
Total Revenues	29,580	35,418
	<hr/>	<hr/>

EXPENDITURES

Public Safety		
Personal Services		
Salary - Fire Board Treasurer	900	900
Salary - Fire Chief	1,200	1,200
Wages - Firemen	5,000	3,698
Employee Benefits		
Payroll Taxes - Fire Chief		
and Treasurer	350	161
Supplies		
Office Supplies	200	84
Operating Supplies		
Gas	1,500	1,130
Uniforms	6,000	3,751
Other Services and Charges		
Snow Plowing	800	0
Communication	400	277
Public Utilities	1,000	534
Heat	2,500	1,325
Repair and Maintenance	11,000	2,940
Bank Charges	50	0
Training	1,000	0

COLFAX-GREENWOOD FIRE DEPARTMENT
WEXFORD COUNTY, MANTON, MICHIGAN

GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL

FOR THE YEAR ENDED MARCH 31, 2005

	BUDGET	ACTUAL
Miscellaneous - Fire Chief	1,500	0
Miscellaneous	4,000	1,545
Other Functions		
Insurance	15,500	13,189
Capital Outlay		
Equipment	15,000	6,274
Total Expenditures	67,900	37,008
Excess of Revenues Over (Under) Expenditures	(38,320)	(1,590)
<u>FUND BALANCE</u> - Beginning of Year	37,566	37,566
<u>FUND BALANCE</u> - End of Year - (Deficit)	\$ (754)	\$ 35,976

Baird, Cotter and Bishop, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

June 16, 2005

LETTER OF COMMENTS AND RECOMMENDATIONS

To the Fire Board
Colfax-Greenwood Fire Department
Wexford County
Manton, Michigan

During the course of our audit of the basic financial statements of Colfax-Greenwood Fire Department for the year ended March 31, 2005, we noted the following:

GENERAL RECORDKEEPING

The accounting records for the year ended March 31, 2005, were found to be in good order and in compliance with the State's uniform accounting system.

Check Writing

It was determined that some blank checks had been pre-signed at the end of the fiscal year. This should not be done as it is an internal control issue.

GASB 34

These financial statements are reported under the new GASB 34 accounting standard and are much different than in the past.

Some of the more significant changes required by GASB 34 are as follows:

1. Management's discussion and analysis is a new section in the financial report. This includes the administration's narrative overview of the information contained in the financial statements.
2. Several new types of financial statements are now included that reports financial information on a Fire Department-wide basis and incorporates capital assets, a provision for depreciation on those assets as well as long-term liabilities of the Fire Department.

Budgeting Procedures

Public Act 621 states that the budget document that the Fire Department adopt include the following financial information:

The actual results from the prior year

An estimate of the current year results

The proposed budget for the upcoming year

Amounts for contingencies, if appropriate

The amount of fund balance accumulated through the end of the current year, and the amount expected at the end of the upcoming year, after applying the budgeted revenues and expenditures.

Federal Employers Identification Number

The Fire Department should control and limit the use of its FEIN to accounts and uses authorized by state law and activities included in its annual audit. Confirmation with the Fire Department's bank indicated the Fire Auxiliary may have a bank account using the Fire Department's FEIN. We recommend the Fire Auxiliary obtain their own FEIN and discontinue use of the Fire Department's FEIN.

We recommend the Fire Department carefully review these statements under the new accounting standard. We are available to explain the various changes in detail if so desired.

We would like to thank the board for its continued confidence in our firm and to thank the Fire Department officers for their cooperation.

If you have any questions relative to the above comments and recommendations or other areas of your annual accounting, please feel free to call on us.

BAIRD, COTTER AND BISHOP, P.C.

Baird, Cotter & Bishop, P.C.

M. WAYNE BEATTIE, C.P.A.
1902 - 1990

JACK H. BAIRD, C.P.A.
JERRY L. COTTER, C.P.A.
DALE D. COTTER, C.P.A.

JOHN H. BISHOP, C.P.A.
ROBERT V. BEATTIE, C.P.A.
DOUGLAS P. McMULLEN, C.P.A.
JOHN F. TAYLOR, C.P.A.
STEVEN C. ARENDS, C.P.A.
SCOTT A. HUNTER, C.P.A.
JONATHAN E. DAMHOF, C.P.A.
MICHAEL D. COOL, C.P.A.

Baird, Cotter and Bishop, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

June 16, 2005

LETTER OF REPORTABLE CONDITIONS

To the Fire Board
Colfax-Greenwood Fire Department
Wexford County
Manton, Michigan

In planning and performing our audit of the financial statements of Colfax-Greenwood Fire Department, Wexford County, Manton, Michigan for the year ended March 31, 2005, we considered its internal control structure in order to determine our auditing procedures for the purpose of expressing our opinion on the basic financial statements and not to provide assurance on the internal control structure. However, we noted certain matters that we consider to be reportable conditions under standards established by the American Institute of Certified Public Accountants. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control structure that, in our judgment, could adversely affect the organization's ability to record, process, summarize, and report financial data consistent with the assertions of management in the basic financial statements.

The relatively small number of people involved in the accounting functions of the Fire Department and the design of the accounting system as developed by the State make it difficult to adequately segregate duties. Segregation of accounting duties is a fundamental method of strengthening internal control. However, in deciding what internal control procedures should be implemented, the Board must consider the costs of implementing them and weigh those costs against the benefits to be derived from their implementation. The Fire Department has implemented all reasonable internal controls and when consideration is made of the cost of implementing additional controls versus the benefit to be derived by additional controls, the costs far outweigh the benefits.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control structure elements does not reduce to a relatively low level the risk that errors or irregularities in amounts that would be material to the basic financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

Our consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses as defined above. However, we believe that the condition described above is not a material weakness.

This report is intended solely for the information and use of the Board and others within the organization. This restriction is not intended to limit the distribution of the report, which is a matter of public record.

BAIRD, COTTER AND BISHOP, P.C.

Baird, Cotter & Bishop, P.C.